



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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October 4, 2007

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **EL PROYECTO DEL BARRIO, INC. CONTRACT – A DEPARTMENT OF
COMMUNITY AND SENIOR SERVICES WORKFORCE INVESTMENT
ACT PROGRAM PROVIDER**

We have conducted a program, fiscal and administrative contract review of El Proyecto del Barrio, Inc. (El Proyecto or Agency), a Department of Community and Senior Services (DCSS) Workforce Investment Act (WIA) Program provider.

Background

DCSS contracts with El Proyecto, a private non-profit organization to provide and operate the WIA Adult and Dislocated Worker Programs. The WIA Adult and Dislocated Worker Programs assist individuals obtain employment, retain their jobs and increase their earnings. The types of services provided by El Proyecto include occupational skills training, job placement and career planning. El Proyecto is located in the Third District.

El Proyecto is compensated on a cost reimbursement basis. El Proyecto's contract was for \$154,226 for Fiscal Year (FY) 2006-07.

Purpose/Methodology

The purpose of the review was to determine whether El Proyecto complied with its contract terms and appropriately accounted for and spent WIA funds in providing

"To Enrich Lives Through Effective and Caring Service"

services to eligible participants. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

Results of Review

El Proyecto provided the services in accordance with the County contract and WIA guidelines for all 12 participants sampled. However, El Proyecto needs to repay DCSS for unallowable and unsupported expenditures. For example, El Proyecto:

- Did not maintain documentation to support expenditures billed in FY 2005-06, totaling \$7,682.
- Inappropriately allocated shared costs to the WIA program for October and November 2006, totaling \$2,026.

In addition, El Proyecto did not maintain timecards for two (20%) of the ten employees sampled and did not follow-up on four checks totaling \$9,086 that were outstanding more than 90 days.

Details of our review along with recommendations for corrective action are attached.

Review of Report

We discussed our report with El Proyecto and DCSS on July 20, 2007. In their attached response, El Proyecto indicated that some of the recommendations have already been implemented and that they plan to implement the remaining recommendations. DCSS will follow-up to ensure that El Proyecto implements the recommendations in this and prior reports.

We thank El Proyecto for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Cynthia Banks, Director, Department of Community and Senior Services
Corinne Sanchez, Esq., President and CEO, El Proyecto del Barrio, Inc.
East Los Angeles Employment and Business Center
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
EL PROYECTO DEL BARRIO, INC.
FISCAL YEAR 2006-07**

ELIGIBILITY

Objective

Determine whether El Proyecto del Barrio, Inc. (El Proyecto or Agency) provided services to participants that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We selected a sample of 12 (46%) participants (six from the Adult Program and six from the Dislocated Worker Program) from a total of 26 participants that received services from July 2006 through January 2007. We reviewed the 12 case files for documentation to confirm their eligibility for WIA services.

Results

All 12 program participants met the eligibility requirements for the WIA programs.

Recommendation

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for 12 (46%) participants that received services from July 2006 through January 2007. We also interviewed six participants.

Results

The six participants interviewed confirmed that the services they received met their expectations. In addition, El Proyecto provided the services in accordance with the County contract and WIA guidelines for all 12 participants.

Recommendation

There are no recommendations for this section.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed El Proyecto's bank reconciliation for November 2006.

Results

El Proyecto maintained adequate controls to ensure that cash receipts and revenues were properly recorded and deposited in a timely manner. However, El Proyecto did not comply with the Agency's accounting policy and did not follow-up on four checks that have been outstanding over 90 days. The checks totaled \$9,086.

Recommendation

- 1. El Proyecto management follow-up on checks that have been outstanding over 90 days and credit the appropriate funding sources, if necessary.**

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation for 55 (45%) of the 122 non-personnel expenditure transactions billed by the Agency for October and November 2006, totaling \$6,789.

Results

El Proyecto billed DCSS for unsupported and unallowable expenditures, totaling \$1,006. Specifically, El Proyecto billed DCSS \$936 for a voicemail system that was unsupported, \$54 in penalties and \$16 in non-WIA related expenditures. Similar findings were also noted in the prior year's monitoring report. Subsequent to our review, El Proyecto provided documentation to support the \$936 in unsupported expenditures.

Recommendations

El Proyecto management:

- 2. Repay DCSS \$70.**
- 3. Ensure that expenditures are allowable and adequately supported.**

INTERNAL CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

Generally, El Proyecto maintained sufficient internal controls over its business operations. However, El Proyecto did not always mark the invoices and other supporting documentation as "paid". EL Proyecto also did not maintain a building permit for the facility the Agency occupies to administer the WIA program. This finding was also noted in the prior year's monitoring report.

Recommendations

El Proyecto management:

- 4. Ensure that paid invoices and other supporting documentation are marked "paid."**
- 5. Obtain a building permit.**

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether the Agency's fixed assets and equipment purchases made with WIA funds are used for the WIA program and are safeguarded.

We did not perform test work in this section as El Proyecto did not use WIA funds to purchase fixed assets or equipment.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll is appropriately charged to the WIA programs. In addition, determine whether personnel files are maintained as required.

Verification

We traced and agreed the payroll expenditures totaling \$5,573 for ten employees in November 2006 to the Agency's payroll records and time reports. We also interviewed one staff and reviewed personnel files for five employees assigned to the WIA programs.

Results

El Proyecto did not maintain timecards to support the payroll expenditures billed for two (20%) of the ten employees sampled. Subsequent to our review, El Proyecto provided the timecards for the two employees.

In addition, El Proyecto billed DCSS based on budgeted payroll amounts instead of actual hours worked as required by the County contract. The Agency indicated that payroll is initially billed based on budgeted payroll amounts and subsequently adjusted based on actual hours worked every six months. However, adjustments to reflect actual payroll expenditures were not made as required. This finding was also noted in the prior two years' monitoring reports.

El Proyecto also did not maintain copies of the employees' driver's licenses and proof of car insurance for all five employees. In addition, El Proyecto did not conduct performance evaluations on an annual basis for three (60%) of the five employees assigned to administer the WIA programs. The last performance evaluations for the three employees were performed in November 2004. This was also noted in the prior year's monitoring report.

Recommendations

El Proyecto management:

- 6. Bill DCSS based on actual expenditures incurred and not based on budget amounts.**
- 7. Ensure that employee timecards are maintained to support payroll expenditures.**
- 8. Ensure that personnel files are kept current including copies of employees' driver's licenses, proof of car insurance and performance evaluations.**

COST ALLOCATION PLAN

Objective

Determine whether the Agency's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

Verification

We reviewed El Proyecto's Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency during October and November 2006 to ensure that the expenditures were appropriately allocated to the Agency's programs.

Results

As previously mentioned, El Proyecto did not adjust payroll expenditures to reflect actual hours worked as required. El Proyecto also inappropriately allocated shared costs, resulting in unsupported expenditures of \$2,026. Specifically, El Proyecto allocated 15% of their shared costs to the WIA Adult Program and 10% to the Dislocated Worker Program. However, they did not provide support for the basis for their allocation method. A similar finding was also noted in the prior year's monitoring report.

Recommendations

El Proyecto management:

- 9. Repay DCSS \$2,026 and for any unsupported shared costs billed to DCSS during FY 2006-07.**
- 10. Ensure that expenditures are appropriately allocated based on a supported allocation basis.**

CLOSE-OUT REVIEW

Objective

Determine whether the Agency's Fiscal Year (FY) 2005-06 final close-out invoice was reconciled to the Agency's financial accounting records.

Verification

We traced and agreed the Agency's FY 2005-06 general ledger to the Agency's final close-out invoice for FY 2005-06. In addition, we reviewed prior year's general ledger for any duplicate postings or any unallowable costs.

Results

El Proyecto made adjusting entries to their general ledger on June 30, 2006, totaling \$16,124. However, El Proyecto could not provide documentation to support \$7,682 of the \$16,124 in additional expenditures billed to DCSS.

Recommendation

- 11. El Proyecto management repay DCSS \$7,682 or provide documentation to support the expenditures reported on the Agency's general ledger.**

PRIOR YEAR FOLLOW-UP

Objective

Determine the status of the recommendations reported in the prior year's monitoring review.

Verification

We verified whether the outstanding recommendations from FY 2005-06 monitoring review were implemented.

Results

The prior year's monitoring report contained ten recommendations. El Proyecto implemented four of the ten recommendations. The six remaining recommendations were also noted during our monitoring review including a recommendation that required the Agency to immediately implement the outstanding recommendations from the FY 2004-05 monitoring report.

El Proyecto indicated that they would implement the outstanding recommendations by June 30, 2007. However, as of July 2007, the outstanding recommendations were not implemented.

Recommendation

- 12. El Proyecto management immediately implement the outstanding recommendations from FY 2004-05 and FY 2005-06.**

El Proyecto del Barrio

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ESPERANZA

August 17, 2007

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Principal Accountant-Auditor
Department of auditor-controller
Countywide Contract Monitoring Division
1000 S. Fremont Avenue, Unit #51
Building A-9 east, First Floor
Alhambra CA 91803

RE: El Proyecto del Barrio, Inc.

Dear Ms. Bae:

We are in receipt of your draft finding letter in regards to our most recent fiscal audit. Below please find our response.

CASH /REVENUE

- 1) El Proyecto accepts this recommendation. All checks that were older than 90 days have subsequently cleared the bank. In the future we will document as to any contact or any action made in relations to checks that are older than 90 days. For the checks in question we had contacted the payees and had requested the immediate deposits of these checks.

EXPENDITURE/PROCUREMENT

- 2) El Proyecto will reimburse DCSS \$70.
- 3) El Proyecto will continue to ensure that only allowable WIA related expenditures are billed to the county.

INTERNAL CONTROL/SUBCONTRACT COMPLIANCE

- 4) El Proyecto will ensure that paid invoices will be stamped as paid.
- 5) El Proyecto has requested a copy of the building inspection permit from the landlord and a copy will be provided and maintained at the site.

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PAYROLL AND PERSONNEL

- 6) El Proyecto will request payroll reimbursements based on actual expenditures.
- 7) El Proyecto has always maintained timecards to support payroll expenses. However at the time of your audit we were audited by other agencies simultaneously and certain timecards were not available.
- 8) El Proyecto will ensure that personnel files are kept current and that performance evaluations are performed on an annual basis.

COST ALLOCATION PLAN

- 9) At the time of the audit certain documentation supporting our cost allocation plan were not provided to the auditors. At this time we have obtained the documentation and request that they either be considered now or on your next audit. We believe these questioned costs in the amount of \$2,026 will be adequately supported.
- 10) See above response.

CLOSE-OUT REVIEW

- 11) At the time of the audit certain items were not provided to the auditors. However at this time we have located the questioned items and request that they either be considered now or on your next audit. Below is a summary of those items.

A) Advertising	\$1,542.36
B) Security	\$ 495.36
C) Facility repairs	\$1,445.92
D) Equipment rental	\$1,689.68
E) Office supplies	\$ 981.69
F) Payroll Preparation	\$ 912.36
G) Utilities	\$ 495.97
H) Meeting Expense	\$ 298.78

12) El Proyecto will implement your recommendations.

El Proyecto wishes to thank you and your staff in advance for your consideration of the above. We have enjoyed working with you and your staff and look forward to working with you again next year.

If you have any questions, please contact me at (818) 610-1632.

Sincerely,

A handwritten signature in black ink, appearing to be 'JP' followed by a long horizontal flourish.

John Pazirandeh
Chief Financial Officer